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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, August 24, 2000

JOINT PETITION OF

R&B COMMUNICATIONS, INC.

CASE NO. PUA000056

and

CFW COMMUNICATIONS COMPANY

For authority pursuant to the Utility
Transfers Act, §§ 56-88 et. seq. of the Code of Virginia

ORDER GRANTING AUTHORITY

On June 29, 2000, R&B Communications, Inc. (“R&B”), and CFW Communications Company (“CFW”) (collectively referenced as “Petitioners” or “the Companies”) filed a joint petition pursuant to Chapter 5 of Title 56 of the Code of Virginia. R&B and CFW have entered into an Agreement and Plan of Merger (“Agreement”) whereby R&B will become a wholly owned subsidiary of CFW.

R&B is a Virginia corporation headquartered in Daleville, Virginia. R&B has a wholly owned subsidiary which provides incumbent local exchange service (ILEC) in and around Daleville, Virginia, and another subsidiary that provides competitive local exchange (CLEC) and interexchange service in the Roanoke Valley of Virginia.¹

¹ Roanoke & Botetourt Telephone Company operates as an ILEC; R&B Network, Inc., has both a CLEC and IXC certificate.

CFW is a Virginia corporation headquartered in Waynesboro, Virginia. CFW's wholly owned subsidiary, CFW Telephone Inc. ("CFWT") provides incumbent local exchange service to approximately 39,000 access lines in the cities of Waynesboro, Clifton Forge, and Covington, Virginia, and surrounding counties. CFW also provides CLEC service through three subsidiaries in Virginia and West Virginia.²

Pursuant to the Agreement, CFW will issue an aggregate of approximately 3.7 million shares of its common stock for all of the issued and outstanding shares of R&B common stock. When the merger is complete, R&B will become a wholly owned subsidiary of CFW. The transaction is valued at approximately \$140 million based on the \$37.875 per share closing price of CFW's stock as of the execution date of the Agreement. The exchange ratio is 60.27 shares of CFW common stock for each outstanding share of R&B common stock.

Petitioners state that the proposed merger will not impair the provision of adequate service to the customers at just and reasonable rates. Also, there will be no impact on the customers of Roanoke & Botetourt Telephone Company ("RBTC"), the ILEC subsidiary of R&B, since the current rates on file with the State Corporation Commission ("Commission") will remain in effect after the merger. All service employees will be retained after merger completion, and the existing levels of service will be maintained.

On July 12, 2000, the Commission issued its Order for Notice and Comment. In that Order, the Commission directed Petitioners to give notice to its customers and provide interested persons with an opportunity to comment and/or request a hearing on or before August 4, 2000. The Commission also directed its Staff to file a report detailing its findings and recommendations on or before August 14, 2000.

² CFW Network Inc. is a CLEC and IXC in Virginia; NA Communications, Inc., is a CLEC and IXC in Virginia; and CFW Wireless Inc. operates in West Virginia.

Proofs of service and newspaper notice were filed. No comments or requests for hearing were received.

Staff filed its Report on August 14, 2000. Based on its analysis, Staff found that the proposed acquisition would not impair or jeopardize the provision of adequate service to the public at just and reasonable rates. Staff recommended approval of the merger, subject to the following conditions. Specifically, Staff recommended that the Commission: (1) have access to the books, records, and appropriate personnel of CFW, its subsidiaries, and affiliates; (2) require the Companies to track and report merger costs and savings for two years following consummation of the merger; (3) require RBTC and CFWT to file for additional approval pursuant to § 56-77 for any transfers or assignments of real or personal property not included in the Agreement; and (4) continue the current requirements for filing annual reports.

Further, Staff noted that two Virginia certificated subsidiaries, R&B Network, Inc. (wholly owned by R&B), and NA Communications, Inc. (wholly owned by CFW), consistently have been deficient in providing certain monitoring information required pursuant to § B 5 of the Rules Governing the Offering of Competitive Local Exchange Telephone Services (“Local Rules”). Staff noted that, in response to Staff interrogatories, the Companies stated that “if required,” each entity is prepared “to continue to provide the types of monitoring data” required by the Local Rules.

On August 21, 2000, the Companies filed their response to Staff’s report. In this response the Companies agreed with the recommendations in Staff’s Report with the exception of the tracking and reporting requirement. The Companies stated that such requirement will impose a new administrative cost on the Companies without any corresponding benefit.

Petitioners request that such costs and savings be tracked and reported only if either R&B or CFW asks for a rate increase during the two-year period following consummation of the merger.

NOW THE COMMISSION, upon consideration of the joint petition, the Staff Report, and Petitioners' Response thereto, is of the opinion and finds that the joint petition and Agreement should be approved subject to the conditions as stated in the Staff Report. We find, consistent with the requirements of § 56-90 of the Code of Virginia, that the conditions will ensure that adequate service to the public at just and reasonable rates will not be impaired or jeopardized.

Accordingly, IT IS ORDERED THAT:

(1) The Agreement and Plan of Merger is hereby approved, as modified and subject to the conditions established herein.

(2) The Commission shall continue to have open access to the books, records, and appropriate personnel of CFW and its wholly owned subsidiaries, including that of affiliates and subsidiaries as they relate to transactions between CFW's regulated subsidiaries and other affiliates.

(3) The Companies shall track and report to the Commission's Division of Public Utility Accounting, on or before May 1 of each successive year, the merger costs and savings for the two years following the consummation of the merger.

(4) The Companies shall, pursuant to § 56-77, file for additional approval for any transfer or assignment by RBTC and CFWT to any affiliate of any real or personal property not included in the Agreement.

(5) The Companies shall continue to file annual affiliate reports currently required by the Commission.

(6) CFW and its certificated wholly owned subsidiaries shall abide by all the rules and regulations of the Commission.

(7) The authority granted herein shall have no ratemaking implications.

(8) Petitioners shall file a report of the action taken pursuant to the authority granted herein within thirty (30) days of merger consummation. The report shall provide the date of closing of merger and the total value of the transaction.

(9) There being nothing further to be done in this matter, it is hereby dismissed.